



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - Public distribution

Date: 2/19/2008

GAIN Report Number: SA8003

Saudi Arabia

Grain and Feed

Saudi Arabia to Import Wheat in 2009 2008

Approved by:

Fred Giles
U.S. Embassy

Prepared by:

Hussein Mousa

Report Highlights:

The Saudi Arabian Ministry of Agriculture (MOA) recently decided to reduce wheat production by 12.5 percent annually, beginning with the crop that will be harvested in spring of 2009.

Includes PSD Changes: No
Includes Trade Matrix: No
Trade Report
Riyadh ATO [SA2]
[SA]

Saudi Arabia Will Begin Wheat Imports in 2009

The Saudi Arabian Ministry of Agriculture (MOA) has recently decided to reduce wheat production by 12.5 percent annually beginning with the 2009 crop which will be harvested in the spring of 2009. The MOA goal is to discontinue local wheat production by the spring of 2016. Until then, Saudi Arabia will augment the percentage reduction in local wheat production by importing a similar percentage from the international wheat market.

The recent decision is a drastic change in the country's longstanding policy of self-sufficiency in wheat production, which Saudi Arabia has pursued since early 1980s. The country banned imports of bulk wheat and flour (with the exception of small retail packs of flour and some specialized flour for baking) when it achieved self-sufficiency in 1985. According to MOA officials the main reason for change in the local wheat production policy was concerns over the depletion of fossil water since the crop is grown on 100 percent central pivot irrigation. Wheat production places large demands on underground non-renewable aquifer water, resulting in an imbalance between water recharge and water discharge. As a result, the water level in the aquifer has fallen in grain-and forage-producing regions.

Beginning in the spring of 2009, Saudi Arabia will import wheat for the first time since the country achieved self sufficiency in the early 1980s. MOA officials do not rule out the possibility of importing wheat sometime this year if the local wheat harvest (June 2008) does not yield the targeted production level of 2.5 million metric tons (MT). Wheat is planted from mid-November to early January and harvested from the end of April through June.

The following table reflects Saudi Arabia's projected wheat import schedule:

Year	Estimated Dom Wheat Cons (MT)	Estimated Wheat Prod (MT)	Estimated Qty. of Wheat Imports (MT)
2009	2,600,000	2,275,000	325,000
2010	2,704,000	2,028,000	676,000
2011	2,812,160	1,757,600	1,054,560
2012	2,924,646	1,462,323	1,462,323
2013	3,041,632	1,140,612	1,901,020
2014	3,163,298	790,824	2,372,473
2015	3,289,829	411,229	2,878,601
2016	3,421,423	0	3,421,423

The Grain Silos and Flour Mills Organization

The Grain Silos and Flour Mills Organization (GSFMO), a Saudi government agency, was established in 1981 for the purpose of building and operating grain silos and flour mills as well as animal feed processing plants. The organization was also assigned the responsibility of allocating grain production quotas to farmers, purchasing locally grown wheat at the government set purchase price, and milling and marketing wheat flour varieties. It also imported grains such as barley. Currently, the GSFMO has seven flour mills with a combined daily milling capacity of more than 70,000 metric tons of wheat. The agency's five feed factories manufacture more than 2,100 metric tons of animal feeds daily.

Starting in 2009, the organization will be responsible for importing wheat through tenders issued to local grain importers. Currently, the GSFMO purchases locally produced wheat for \$267 per metric ton and markets locally produced wheat flour through its ten distribution branches in major cities throughout the country.

Listed below are the current wholesale prices of flour and semolina as fixed by the GSFMO.

Product	Price (USD/MT)
White flour	\$130.00
Hi-extraction flour	\$118.30
Whole Wheat Flour	\$177.80
Semolina	\$414.70
Wheat Bran	\$ 40.00

Local Importers are Likely to Import Wheat in the Future

The Saudi Government has held several discussions with World Bank officials in the past few years concerning privatization of the country's flour mills. When the mills are privatized, traders will be allowed to buy wheat on the world market and mill locally. According to some reports, the government will continue the current wheat subsidy policy even if it goes out of the flour milling business. If the mills are privatized, the responsibilities of purchasing and selling locally produced wheat are expected to pass from the GSFMO to the Ministry of Finance (MOF). The Ministry will be responsible for purchasing locally produced wheat at the government purchase price until 2015 and selling it to local millers at subsidized rates. The MOF will also manage imported wheat and wheat flour by paying rebates to importers for the difference between the government's established wheat/wheat flour wholesale price and the C&F price for imported wheat/wheat flour.